

MASTER
MASTER IN FINANCE

MASTER'S FINAL WORK
PROJECT

EQUITY RESEARCH CORTICEIRA AMORIM SGPS SA
A SOLID GROW-UP IN A TRADITIONAL MARKET

PEDRO GASPAR REBELO LOPES MOURA

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SUPERVISION:

PROFESSOR DOUTOR JOÃO CANTIGA ESTEVES

SEPTEMBER 2020

To my parents, who taught me how important is to be spared.

Abstract

This project analyses financially Corticeira Amorim S.G.P.S, S.A. (CA). It was made in accordance with ISEG's Master in Finance final work project standards.

CA is a Portuguese company listed in the NYSE Euronext Lisbon, and this family-owned company is the largest world producer of cork products, mainly cork stoppers.

A Free Cash Flow to the Firm approach was used to reach a BUY recommendation with a price target of €13.24 per share, implying a +31% upside potential from the June 30th, 2020 closing price of €10.08/sh.

Despite being a family-owned company, CA has an historic of a characteristic dividend policy, which permitted the owners to diversify their portfolio without putting in danger the capacity of CA to grow-up. As an additional consequence, this policy permits to protect minority interests.

The information used throughout this report was publicly available as of June 30th, 2020. Thus, any information or subsequent events have not been considered.

JEL classifications: G10, G32, G34

Keywords: Equity Research; Valuation; Discounted Cash Flow; Family Firms; Payout Policy.

Resumo

Este projeto analisa financeiramente a Corticeira Amorim S.G.P.S, S.A. (CA). Foi desenvolvido de acordo com as diretivas do ISEG para os trabalhos finais do Master in Finance.

A CA é uma companhia portuguesa cotada na NYSE Euronext Lisbon, e esta empresa familiar é a maior produtora de produtos de cortiça, maioritariamente rolhas de cortiça.

Utilizou-se o modelo Free Cash Flow to the Firm, para obter uma recomendação de COMPRA, com um preço alvo de €13.24 por ação, o que implica um potencial de crescimento de +31% face ao preço de €10.08 por ação registado a 30 de junho de 2020.

Apesar de ser uma empresa familiar, a CA tem um histórico de uma política de dividendos muito característica, que permitiu aos seus proprietários diversificar o seu portfolio sem pôr em causa a sua capacidade de crescimento. Como consequência adicional, esta política permitiu proteger os interesses de investidores minoritários

A informação utilizada ao longo deste relatório era publicamente conhecida a 30 de junho de 2020, pelo que qualquer informação ou eventos subsequentes não foram considerados.

JEL classifications: G10, G32, G34

Palavras-chave: Equity Research; Avaliação; Discounted Cash Flow; Empresas Familiares; Política de Dividendos

Disclosures and Disclaimer

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To Professor João Cantiga Esteves. Thank you for all the guidance in this work. I know that I was not an exemplar student, but you were always available to answer to my doubts.

To my sister. Thank you for always encourage me to try to be better every day and for being always there for me. Without your precious encouragement, this work would not be possible.

To Rita. I feel enormously lucky that I found you. Thank you for your patience to put up with me. Every day you encourage me to pursue what makes me happy. A thank you will never be enough.

To my friends and family. Thank you for everything.

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BUY

Date: 30/06/2020

Ticker: COR PL (Bloomberg)

Recommendation: BUY

Target Price: 13.24€ (potential upside of 31%)

CORTICEIRA AMORIM: A solid grow up in a traditional market

Research Snapshot

We issue a BUY recommendation for Corticeira Amorim S.G.P.S., S.A (CA) with a price target of €13.24 for 2020YE using a DCF model, implying a 31% upside potential from the June 30th 2020 closing price of €10.08.

In a traditional market in which is a dominant player, CA benefits from its solid reputation and its solid financial position to increase sales and also to buy new companies, which allows to consolidate its position in new markets and to increase also the possibilities of improvement of its products. CA is also working in developing new cork-based products, in order to reduce its dependence in selling cork-stoppers.

Table 1: CA Market Profile

Market Profile	
Closing price (June 30th)	€ 10.08
52-week price range	€7.60 - €11.72
Shares outstanding	133M
Free float	28,59%
Dividend yield (2020-06)	2,82%

Source: Bolsa de Lisboa, 1 and CA, 2020

Corticeira Amorim share price evaluation



Corticeira Amorim S.G.P.S., S.A source of revenues – CA principal source of revenues is the sale of cork-based products, mainly cork-stoppers (around 58% of the total amount of sales). Sales are mainly directed to European Union, but United States have also a relevant portion, with 15%-20% of the total sales. Around 20%-25% of sales are related to selling cork composites and cork coverings, showing the importance of diversifying sales, despite being cork-based.

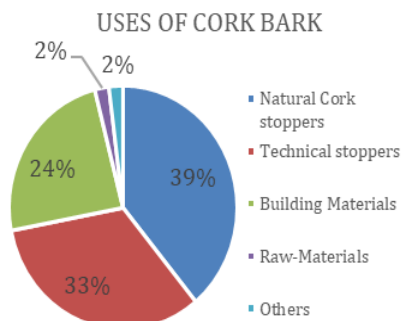
European Union market dependence – More than three in each 5 euros sold by CA are directed to European Union countries, including Portugal, with around 7% of the total sales. However, emergent markets, as Australasia and Africa, are growing up and are assuming significant roles.

Purchasing of new companies – CA is developing a strategy of purchasing of new companies, in order to accomplish with some objectives defined. In 2018, CA decided to acquire Elferson, a Swedish company. This purchase has an objective: reinforce the supply of wood tops. Another company purchased was Cosabe – Companhia Silvo-Agrícola da Beira, S.A. The main asset of this company is a homestead in which CA wants to develop some experiments in “intensive and fertile production, increasing the density of cork oaks per hectare and growing faster, significantly reducing time necessary for the beginning of the exploitation of the trees” (CA, 2019). These purchases sum to

CA Price Target	
Closing price (June 30th)	€ 10.08
FCFF	€ 13.24
FCFE	€ 13.29
DDM	€ 13.30

Source: Student Estimates

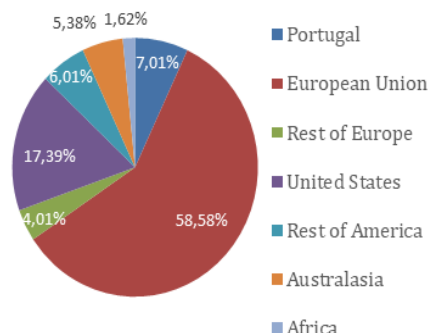
Figure 1: Uses of Cork Bark



Source: APCOR, 2020, 2

Figure 2: Sales Breakdown by Destination

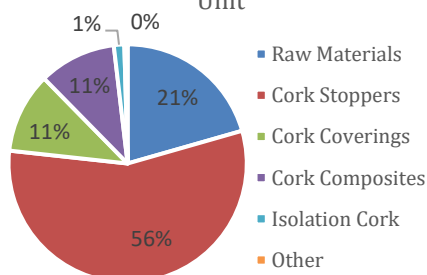
Sales Breakdown by Destination



Source: CA, 2020

Figure 3: Sales Breakdown by Business Unit

Sales Breakdown by Business Unit



Source: CA, 2020

Bourrasé and Sodiliège ones, in 2017, to reinforce CA offer in cork stoppers and bartops. The remaining 30% of Elfverson were purchased in 2020 and the remaining 30% of Bourrasé will be purchased until 2022.

The leader set the rules – As the leader of this market, benefiting of a significant part of cork forest being in Portugal, CA is a price setter, which has repercussions in the sustainability of the company and, consequently, in its stable margins. CA's size and long relationship with the suppliers created a positive environment to have access to raw materials. It is presumable that CA will dominate the market for many years.

Mature, solid, adaptable – CA was put in trouble during the 90's with the emergency of new kind of stoppers. However, CA adapted itself to the new requests and offered the best solution for the problem, which permitted to dominate again the market.

A characteristic dividend policy – The majority of CA is detained by Amorim family. Despite not being an attractive issue for the investors, and not fulfilling all the recommendations defined by the regulators, dividend policy has an objective: protect the family's wealth. CA permitted to Amorim family to diversify its portfolio to different areas based on dividends distribution. This objective has also an indirect consequence of helping to protect minority shareholders' own interests.

Business Description

Corticeira Amorim, S.A. is a Portuguese Company listed in the NYSE Euronext Lisbon, and it is the largest world producer of cork products. Corticeira Amorim, SA started in 1870 in Aveiro, Portugal, based on production of cork stoppers. Company activity growth opened the possibility to expand its activity to another cork areas and segments.

Corticeira Amorim, SA is, nowadays, divided into five business units. Amorim Florestal, S.A. is responsible for Raw Materials Unit, Amorim e Irmãos S.A. is responsible for Cork Stoppers Unit, Amorim Revestimentos, S.A., is responsible for Coverings Unit, Amorim Cork Composites, S.A. is responsible for Cork Composites Unit, Amorim Isolamentos, S.A. is responsible for Isolation Cork Unit. Corticeira Amorim has also a unit responsible for R&D and Innovation.

Raw Materials Unit aims to potentiate synergies between all units and to optimize raw materials availability, adopting all measures to assure a quick answer to an increase of raw consumption in the future. Cork Stoppers Unit is responsible for the production of Stoppers, not only Natural Stoppers, but also other kinds of Stoppers, which provide a wide range of choices. Coverings Unit is a world leader in production and distribution of Cork Coverings, combining traditional way of production with the recent technological advances. Composites Unit is responsible to research, develop and produce new products based on Cork Composites. Isolation Cork Unit is responsible to

produce acoustic and thermal insulation cladding, all natural and with high technical performance.

Nowadays, the group is diversified around the world, with 10 Raw Material industrial units, 19 industrial units, 51 distribution companies, 10 joint ventures in 27 countries.

In 2019, sales reached 781,1M€, and 70.31% was obtained by selling cork stoppers and 13.57% by coverings. Majority of sales are concentrated in Europe (62.59%, excluding Portugal), with EUA being responsible for 17.39%. Portugal is responsible for 7.01% of sales.

Company Strategies

Forest Intervention Project – Recent climate changes tend to aggravate the development of cork oak plantations. Corticeira Amorim create a partnership with forest producers in order to mitigate these adversities and, so, to preserve cork production. This strategy acts in two ways: taking care of present plantations, helping producers with maintenance of their productions and developing protocols with universities to incorporate scientific knowledge in this maintenance; and develop future plantations, by developing research projects with diverse scientific entities in order to oppose to these climate changes.

Investment in R&D of new products – Corticeira Amorim growth is also based in development of new products cork-based. This R&D activity allows CA to diversify the set of products available to the costumer. The diverse Business Units developed some competences in this activity, which are combined with Corticeira Amorim department of R&D.

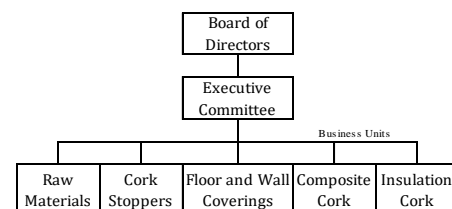
Sustainable Development – Corticeira Amorim develops its activity based on cork, extracted from trees without damaging them, preserving Cork Oak plantations. Corticeira Amorim develops an activity with a negative carbon footprint, promotes cork recycling, and tries to sensitize producers to the conservation of their Cork Oak plantations.

Improve efficiency in value chain – Corticeira Amorim is continuously promoting efficiency in all its activities and business areas. This search for efficiency is important to contribute for a Sustainable Development, to optimize the costs of the society and the efficiency of distribution network, in order to improve the value of the product for the clients.

Ownership Structure

At 31/12/2019, Corticeira Amorim had a shared capital of 133M€, with a nominal value of 1€. During the year 2018 there were any significant changes in the ownership structure. Amorim Investimentos e Participações. SGPS, S.A. has 51% of the shares, which are controlled directly by this society. Investmark Holding BV controls directly 10.32% of the shares. However, this

Figure 4: CA Organizational Structure



Source: CA, 2020

Figure 5: Supply Chain CA



Source: CA, 2020

Table 3: CA Shareholder's Structure

Shareholder	Nr. of Shares	%
Qualified Positions		
Amorim Investimentos e Participações, SGPS, S.A.	67 830 000	51,00%
Great Prime, S.A.	13 725 157	10,32%
Amorim International Participations	13 414 387	10,09%
Free Float	38 030 456	28,59%
TOTAL	133 000 000	100,00%

Source: CA, 2020

Table 4: CA's trading data

	Avg. Close price	Quantity of shares traded
2016	7,30 €	10 801 324
2017	11,07 €	19 290 907
2018	10,60 €	14 884 641
2019	10,06 €	9 481 944

Source: CA, 2020

Figure 6: CA Governance Model



Source: Freitas, 2019

society is owned at 100% by Great Prime, S. A., a society controlled at 85% by Américo Ferreira Amorim's Heritage. Amorim International Participations, BV controls 10.09% of shares. Amorim, Sociedade Gestora de Participações Sociais, S.A. control this society at 100%. The remaining 28.59% of shares are free float.

Management and Corporate Governance & Social Responsibility

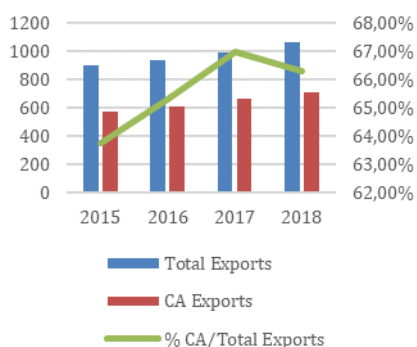
Corporate Governance

Corticeira Amorim is a family-owned company in which the management has, taking into consideration the management's relatives, approximately 75% of the voting rights.

Corticeira Amorim corporate governance system is usually known as "Strengthened Latin Governance Model", which is characterized by "a clear separation between management and supervisory bodies as well as double supervision through a supervisory board and a statutory auditor" (2019 Accounts Report), and is composed by:

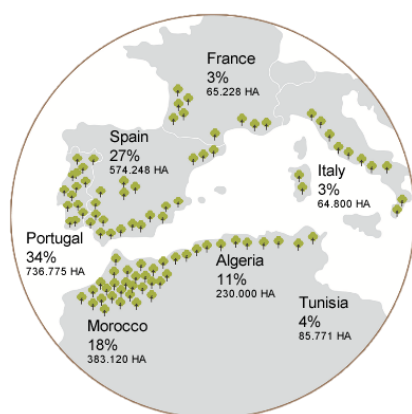
- a Board of Directors, which is composed by a Chairman, a Vice-President and six (of nine possible) vowels.
- an Executive Committee, which is composed by a Chairman and two vowels. These members are also members of Board of Directors.
- an Audit Committee, which is composed by a Chairman and two vowels.
- a Remuneration Committee, which is composed by a Chairman and two vowels.
- a Statutory Auditor, which is composed by an effective member and a substitute one, both accredited statutory auditors.
- a Board of General Shareholders Meeting, which is composed by a Chairman and a Secretary.

Figure 7: Total and CA Cork Exportations
Total and CA Cork Exports



Source: APCOR, 2020, 2 and CA, 2020

Figure 8: Location of the cork oak forestry



Source: APCOR, 2020, 1

From the sixty recommendations of appropriate corporate governance put forth by the CMVM (The Portuguese Securities Exchange Commission), Corticeira Amorim fulfils thirty-seven, seven are partially followed, another seven were replaced by similar practices, eight are not applicable and one fails to fully adopt. The risks that may arise from those absences are mainly the lack of independence of the Board of Directors and non-adequate policy of remuneration of the administration, which is not verified by the Auditors.

The composition of the shareholder structure allows verifying a strong familiar influence on the Board of Directors. In theory, because of this fact, minority shareholders' interests could not be fully protected, as the Family can implement their ideas without impediments. In addition, as the Board of Directors has no independent members, it could result in the possibility of misjudgement and biased decision-making. However, we believe that in CA company this scenario does not have a connection with the reality. CA has

been evidencing a sustainable growth, benefiting from the experience of the management team in this business. CA has also an active policy to distribute dividends to the shareholders, but with the condition of not decapitalizing the company, which could put in danger its potential to growth. Therefore, this active policy to distribute dividends has benefitted, in first place, Amorim family, because it permitted to build a diversified portfolio of investments, but also permitted to protect minority interests.

Social Responsibility

Corticeira Amorim has an important role contributing to the development in different areas. In 1992 was created “Academia Amorim” in order to support research and innovative projects in the scope of oenology and wine. Corticeira Amorim created also a research prize to the cork sector between 2008 and 2015 about the correct management of mounts of cork oak, and now is developing a project with forest producers in order to ensure the maintenance, preservation and enhancement of cork forests. Beyond those aspects, CA also privileges an approach of sustainability, as cork has a positive impact in Carbon cycle; cork trees have a positive impact in the fight against climate changes, and uses 100% of the cork in its production process. CA sustainability strategy meets 12 of 17 Sustainable Development Goals proposed by the United Nations in 2015. CA holds also a Forest Stewardship Council Chain-of-Custody certification and several ISO certifications for Quality, Environment, Energy, Food Security and Health and Safety. Corticeira Amorim has also a close partnership with various educational institutions, in Portugal and in other countries, and is also patron of numerous causes and institutions of relevant sociocultural interest.

Industry Overview and Competitive Positioning

Industry Overview

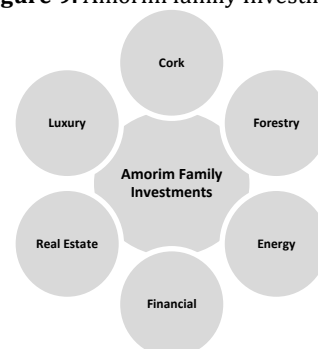
Cork Industry Overview

34% of the total area of Cork Oak forests is Portuguese, which makes Portugal the world leader in area occupied by Cork Oak forests. Portugal is also, consequently, world leader in world cork production, producing 49.6% of total production in 2018, which rounded 201.4 thousand tonnes. Portugal is also the world leader in the cork sector in terms of exports and is the third higher importer. In 2016, Portuguese exportations represented 62.5% of world total exportations and importations represented 12.3% of total importations. This sector has a highly positive trade balance, which is consistently growing since 2013 and reached an historic maximum of € 852,2M.

Supply vs Demand

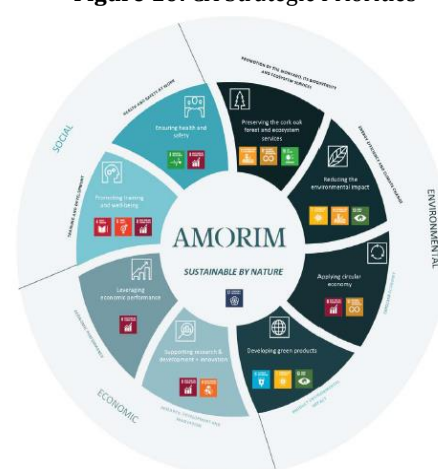
Cork’s market price is defined in a primary market, where there is an equilibrium between supply and demand. Due to the constant innovations and with the objective of being environmentally sustainable and friendly, is expected demand to be growing for the future in all different business units.

Figure 9: Amorim family Investments



Source: Grupo Américo Amorim, 2020

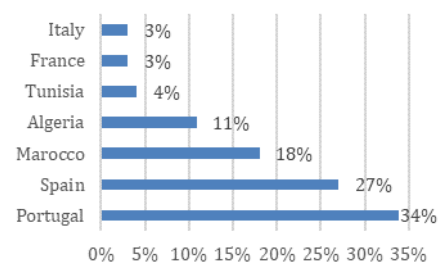
Figure 10: CA Strategic Priorities



Source: CA, 2020

Figure 11: Cork Oak Forest Area

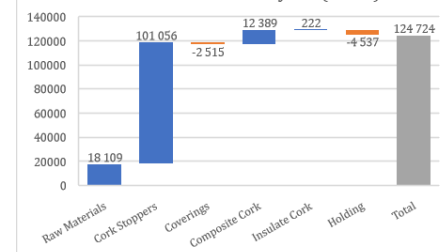
CORK OAK FOREST AREA



Source: APCOR, 2020, 2

Figure 12: EBITDA contribution by BU

EBITDA contribution by BU (2019)



Source: CA, 2020

Figure 13: Porter's Five Forces Model

Porter's Five Forces Model



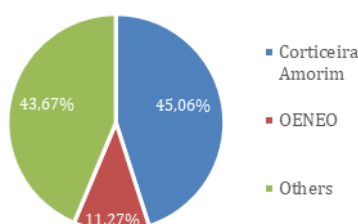
Source: Student Estimates

Industry in a mature stage, dependent of cork stoppers

Corticeira Amorim is now in a mature stage, which allows investing in R&D in order to try to develop new products to satisfy people new needs and to grow by incorporation of new companies around the world. Despite it, Corticeira Amorim is still highly dependent of selling cork stoppers, which, if created a different alternative, could be dangerous to the future of the company. If the year is not propitious to a high production of wine, this fact has also repercussion in company's results.

Figure 14: Market Share in Cork Sector

Market Share in Cork Sector



Source: ITC, 2020, COR, 2020 and OENEO, 2020

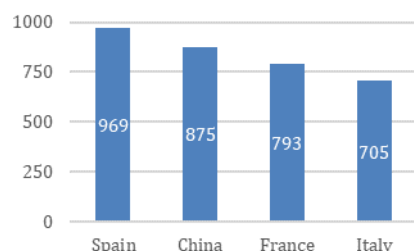
Competitive Positioning (Porter's Five Forces Model)

International Rivalry (Competition within Industry)

Corticeira Amorim is a reference in cork-based products, being world leader in cork stoppers and coverings production, being also a reference in developing cork composite products and insulation products. Corticeira Amorim is also present in several parts of the world, which permits to sell its products and being recognized there. CA has also a clear advantage of having more than double OENEO's market share. Therefore, considering that the two main players represent almost 60% of the market, the existing rivalry is low although it is more intense between smaller players.

Figure 15: Top-4 main vineyard countries in 2018

Top 4 main vineyard countries in 2018 ('000 ha)



Source: OIV, 2020

Threat of Entry (Threat of New Entrants)

CA and the general companies try to maintain a long relationship with the producers, in order to assure a stable quantity of cork available, despite it can vary over the years. It can be difficult to a new company to create this kind of relationship, even more when there are two main companies who share almost 60% of the market. Additionally, cork industry is geographically concentrated and, to dominate in Portugal, any new company should overpower CA.

Threat of Substitutes

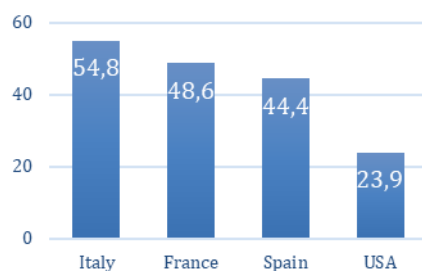
Corticeira Amorim high dependence on selling cork stoppers can be a threat in the future if researches for replacements for these products (e.g., a plastic stopper was developed, however it was concluded that it was not the adequate product to replace them) were successful. Therefore, cork stoppers still continue to be the market leaders, and there is not expectable that new products to replace closures can appear in a near future.

Supplier Power (Bargaining Power of Suppliers)

Corticeira Amorim, not having Cork Oak forests, has a good relationship with cork producers, helping them to produce high quality cork and applying recent scientific discoveries to aim this objective. Having raw materials of high quality contributes to produce high quality products. Therefore, CA's power in its relationship with suppliers is high.

Figure 16: Top-4 major wine producers in 2018

Top 4 Major Wine Producers in 2018 (values in 10⁶ hl)



Source: OIV, 2020

Buyer Power (Bargaining Power of Buyers)

Corticeira Amorim decided to focus in developing the quality of the material sold, instead of focus on its price. However, as on average, 90% of consumers associate cork-sealed wines with quality, cork stoppers are a preferential product for the wine market and CA continues to be world leader in this segment. However, wineries can opt for cheaper products to replace them if the price is too high.

PEST Analysis

Political factors

The world was highly affected by a serious pandemic, which had as a main consequence a collapse of the economy around the entire world. In Portugal, the Government has not a majoritarian support in Parliament, but it has the capacity of approve its additional measures negotiating with some parties, mainly those that will be adopted in consequence of this pandemic. There were not registered changes in politics that could affect significantly Corticeira Amorim.

Economic factors

The world was highly affected by a serious pandemic, which had as a main consequence a collapse of the economy around the entire world. Governments decided to adopt measures to mitigate this situation and it is expectable that public deficits and public debts increase. FMI is refusing to make predictions over 2021 and governments are reviewing their predictions regularly. EU and ECB are finishing programs that will inject billions of euros in economy in order to help countries to overcome this crisis. CA is expecting a decrease in sales due to the close of the economy.

Social factors

Portugal is facing a change in demography, as there are born few children by woman, which can have dramatic consequences for the future. On the other hand, it is witnessing a significant rural exodus, with people leaving the countryside and trying to settle themselves in the major cities on the coast. The main consequence could be the lack of people capable to deal with cork production and harvesting.

Technological factors

Corticeira Amorim created a R&D Department in order to promote innovation inside the Company and to create new and diversified products to satisfy people needs. R&D department is also developing a program in order to protect cork oak forests from climate changes or new diseases.

Figure 17: Major wine consumers in 2018

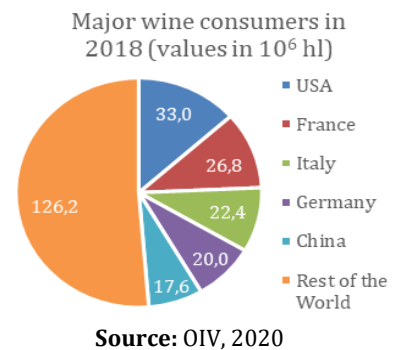


Figure 18: Wine Production vs Wine Consumption
Wine Production vs Wine Consumption (values in 10⁶ hl)

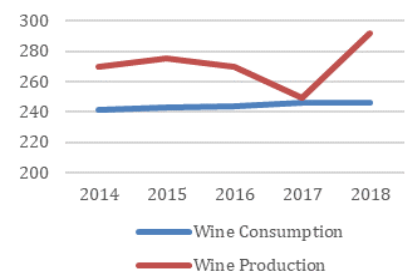


Figure 19: Cork Arroba extraction Cost
Cork Arroba Extraction Cost (€/@)

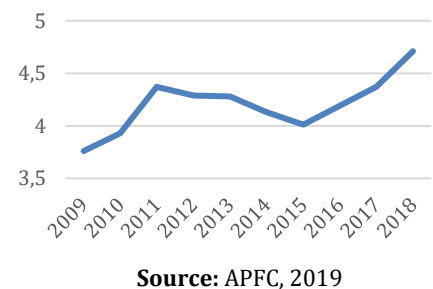
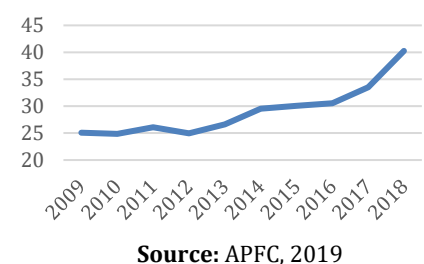


Figure 20: Cork Arroba Average Sale Price
Cork Arroba Average Sale Price (€/@)



SWOT Analysis

Strengths

- Corticeira Amorim is a reference in several countries in the world.
- Corticeira Amorim's expertise in cork oak products.
- Capacity to adapt to different needs of different markets.
- Total usage of raw materials.
- Financial strength.
- Company with a high level of concern about sustainability and environment.

Weaknesses

- Dependence of cork oak producers
- Highly dependence of selling cork stoppers.
- Possibilities of development of alternative products.
- Buying the highest part of cork oak, there is a possibility that the producers sell raw material with lower levels of quality.

Opportunities

- R&D department is developing new products in order to answer to market needs
- Corticeira Amorim is applying new technologies to the production of its products
- Purchase of new companies can open the possibility of explore new markets.
- Alternative products cannot reach satisfactory performances to replace cork oak products

Threats

- Highly dependence of wine industry to sell cork stoppers
- Climate changes can damage quality of the product and of the forests.
- Raw materials price can grow over the expectations.
- Economic slowdown can affect the markets

Investment Summary

Our recommendation for Corticeira Amorim S.G.P.S., S.A is a BUY, with a price target of €13.24 for 2020YE, an upside potential of 31%, from June 30th 2020 price of 10.08€/share, using the Free Cash Flow to the Firm (FCFF). Relative Valuation through multiples should not be used in this circumstance, as CA is the leader of the market and there is only one peer, OENEO¹. Therefore, to complement the analysis it was used the Free Cash Flow to Equity (FCFE) and the Dividend Discount Model (DDM). It was also performed a Montecarlo Simulation to complement these analyses, and it was obtained an Average

¹ Similar to the procedure adopted by Freitas, 2019.

Price Target of 13.20€, with a statistical median of 13.19€– more details on these complementary analyses are provided in Appendices 10, 11 and 12.

Discounted Cash Flow Valuation Method: Free Cash Flow to the Firm

With the DCF valuation it was determined a target price of € 13.24. This valuation method determines the value of a share and cash flow available for distribution for shareholders. Using the WACC rate as a discounted rate to discount future FCFF, this method permits to determine the Enterprise Value of the company minus the market value of Debt in order to obtain the market value of equity. Forecasting company's financial statements (in Appendices) for the next 6 years combined with forecasted discounted rate permitted to compute FCFF. However, several items influenced the value obtained as FCFF.

Revenues

CA sells a couple of different cork-based products, for different segments. Besides cork-stoppers, CA sells also cork composites, cork coverings and material for isolation. CA is trying to diversify cork-based products in order to reduce the dependence of selling cork-stoppers and create new Business Units in order to sell different products, as covering products, isolation products or composite products. Despite it, the weight of cork stoppers in total sales is still high. CA is also developing new processes that allows using wasted products, in order to increase revenues and to reduce the cost of production. Those new processes allowed CA to use 100% of the cork at their disposal. Due to COVID-19, it was expected a significant decrease in sales, which were expected to reach 2019 value only in 2022.

Cost of goods sold (COGS)

In the last 6 years, COGS account was in average 49% of revenues. However, there was registered an increase of cork price in 2018 that increased the cost of sales to more than 50% in 2019. It is expected this price to return to the price of 2017. This is the key cost in the production of products in CA. The forecast for COGS was computed by a moving average, for the previous 3 years, of the ratio COGS/Sales.

Debt

CA decided to purchase companies in 2018 and 2019. The main purpose of this policy was to reinforce the offer to keep up with the new market needs. This policy is not expected to stop in the near future, but CA will only purchase companies that will be strategic to its future. To do so, they decided to increase significantly its debt, since 2018. It is expected a decrease in ratio Debt/Equity, from 2021 onwards, due to the decrease of loans and also due to the prudence that is characteristic of CA in sharing dividends, which allows to reinforce their own capitals.

Despite this program and this reduction of the loans, dividend payment will not be affected and the financial position of the company may create also conditions to pay additional dividend payments in the future. CA financial position will also be important to assure a comfortable cash position to face

Table 5: CA's Enterprise Value

FCFF	2020F	2024F
EBIT*(1-t)	66 086,50	79 731,99
Amortization and Depreciation	- 36 295,70	- 40 205,99
Δ in NWC	- 7 311,42	- 11 346,46
Capex: Maintenance & Investment	- 41 145,42	- 48 971,34
Acquisition of Bourassée	- 4 955,00	-
FCFF	48 970,37	59 620,18
EV	1 929 865,95	

Source: Student Estimates

Price Target	
Enterprise Value	1 929 865,95
- Other borr. & creditors	- 12 568,00
- Non-controlling interests	- 26 216,26
+ Investments in associates	22 366,00
- Net Debt	- 152 459,56
Equity Value	1 760 988,14
No. shares outstanding	133 000,00
Price Target	13,24
Share Price - 30 Jun, 2020	10,08
Upside Potential	31%

Source: Student Estimates

Table 7: CA's WACC

WACC	2020F	Terminal
Cost of Equity		
Risk Free Rate	0,43%	0,68%
Beta (β)	0,59	0,59
Market Premium	7,71%	7,71%
Cost of Equity	4,98%	5,23%
Cost of Debt		
Pre-tax Cost of Debt	2,09%	2,09%
Tax Rate	18,72%	18,72%
After-tax Cost of Debt	1,70%	1,70%
Weight of Equity	75,61%	83,33%
Weight of Debt	24,39%	16,67%
WACC	4,18%	4,64%

Source: Student Estimates

Table 8: CA's Price Target, using FCFE

Price Target	
Enterprise Value	1.898.095,04
+ Investments in associates	22.366,00
- Net Debt	- 152.459,56
Equity Value	1.768.001,48
No. shares outstanding	133.000,00
Price Target	13,29
Share Price - 30 Jun, 2020	10,08
Upside Potential	32%

Source: Student Estimates

COVID-19, the pandemic that affected the world in 2020 and which will be mentioned below, without dramatic problems.

Capital Expenditures, Depreciation and Amortization (CAPEX, D&A)

Purchasing new companies by CA and its comfortable financial position has as consequence the increase of accounting value of assets. Since 2017, the ratio between total non-current assets over sales is growing up around 4 p.p. every year and, due to COVID-19 pandemic is expected to be 49% of total sales, and reach 51% of sales in the perpetuity. The Depreciation and Amortization rate forecasted is around 12%, the historical rate for the last 4 years.

WACC Assumptions

Weighted Average Cost of Capital (WACC) method was used to calculate the cost of equity and it represents, by definition, the rate of return required for debt and equity using the weights of equity and debt of CA's capital structure. It was presumed a risk-free rate of 0.43% constant all over years, the Portuguese 10Y Government Bond yield and, for Terminal Value a risk-free rate of 0,67%, the Portuguese 15Y Government Bond yield. It was also presumed a market risk premium of 7.71%, based in Damodaran (2019) calculations. Also, was assumed a leverage beta of 0.59 based on daily data and a linear regression between Eurostoxx 50 Index and Corticeira Amorim, SA's share. The cost of debt is assumed to be 2.09% based on CA cost of debt average in the last 3 years.

The WACC rate increases over the forecasted period due to the deleveraging process estimated, and, in the perpetuity, the increase is higher due to the increase of risk-free rate, and consequently the WACC assumed in perpetuity is 4.65%. It was also assumed a growth rate in the perpetuity equivalent to the economic growth in the future (based in previous IMF previsions to 2024) in a pro-rata basis, being 1.78%.

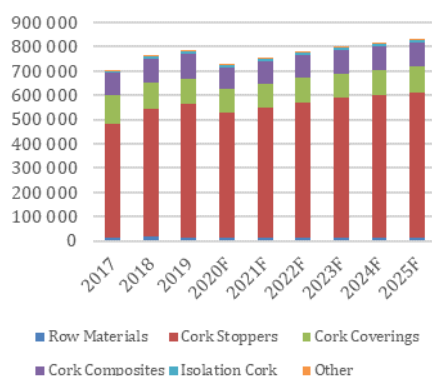
Table 9: CA's Price Target, using DDM

Price Target	
Inputs	
Dividend 2025	0,36
H (6 years)	2,18
Long-term Growth	1,74%
Short-term Growth	5,26%
Value per share	13,30
Share Price - 30 Jun, 2020	10,08
Upside Potential	32%

Source: Student Estimates

Figure 21: Sales Detailed by BU

Sales detailed by BU



Source: CA, 2020 and Student Estimates

Financial Analysis

Overview

The projected CA's financial condition shows a solid company that has all the conditions to overcome the COVID-19 pandemic without so much trouble and to continue its process of grow up, buying new companies to satisfy new market need, developing new products and improving the current ones. CA's needs to pay attention to the new products which can affect sells of cork-stoppers, the main product sold, despite the current state-of-art of those kind of products does not preview any development which could put it in danger. CA's is also developing new and differentiated products in order to decrease the dependence of selling cork-stoppers.

Despite the expected reduction of sales due to COVID-19 pandemic, the growth trajectory resumed in 2021 and it expected that total sales surpass 2019 values in 2023. However, CA benefits of a reduction in raw materials

price, which allows improving its business margins (49.6% in 2019 vs 50.53% forecasted in 2025). The assumption of assets from the brought companies affects EBIT margin and an expected higher tax rate and an increase in financial expenses negatively influence net profit (net profit margin decreases from 10.17% in 2019 to 9.78% in 2025F).

Due to the COVID-19 pandemic, it was previewed a deterioration in CA business environment. The expected decrease of sales in 2020 (from 781k€ in 2019 to 724k€ in 2020F, reaching 796k€ in 2023F) will conduct to a decrease in inventory turnover. Consequently, Days Inventory Outstanding are higher than registered in previous years, and those values, being better than forecasted to 2020, will remain similar but significantly higher than registered in 2019 (from 373 days in 2019 to 405 days in 2020F, reaching 397 days in 2025F). It was also previewed that this crisis created an impact in payments from clients, being needed more days to collect the amount sold (77 days in 2019 vs 82 days in 2025F). However, the solid financial position allows CA to be an important player in market paying its accounts earlier (122 days in 2019 to 119 days in 2020F, reaching 110 days in 2025F), which can help some small companies to survive in this difficult period. Consequently, CA Cash Cycle Conversion will be higher than registered previously (327 days in 2019 vs 369 days in 2025F), but the solid financial position acquired in the previous years will help the company to overpass this period. Those cash cycle demands do not affect the investment in fixed assets, with the increase in Fixed Assets value being higher than the growth of sales, preparing the company to be able to growth whenever it will be required (Fixed Assets Turnover equals to 2,87 in 2019, reaching 2,45 in 2025F).

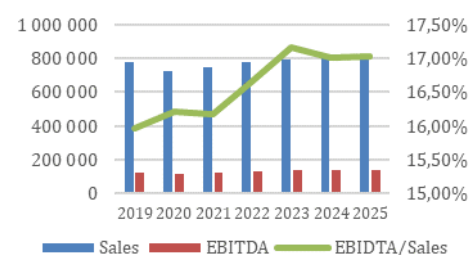
The liquidity position will not be affected for the future. CA's ability to solve their obligations shortly will increase over time (Current Ratio goes from 2,01 in 2019 to 2,19 in 2020F, reaching 2,51 in 2025F) and its Quick Ratio goes from 0,59 in 2019 to 0,72 in 2025F, evidencing that CA's economic activity generates liquid assets to cover its short-term obligations.

Those projections are based in the assumption that cash flows generated by the CA's economic activity will permit to decrease significantly debt. The purchase of some companies compelled the company to increase its debt level. It is expected, now, that CA will decrease those levels (Total Debt to Total Equity goes from 0,34 in 2019 to 0,20 in 2025F and Total Debt to Total Capital goes from 0,25 in 2019 to 0,17 in 2025F), reducing also the weight of short-term debt in total debt.

Financial Position

In 2019, Cash Flow from Operations reached € 93,7M and it is forecasted to reach €113M in 2025. This trajectory is clearly influenced by the pandemic COVID-19 but is also a consequence of CA being a determinant player in cork-based products. The COVID-19 caused a contraction in Sales and EBITDA only overcome 2019 values in 2022. Despite it, CFO is still generating cash that allows CA to continue its activities of investment in assets and to increase the payment of dividends at the same time that reduces its debt.

Figure 22: Sales vs EBITDA
Sales vs EBITDA

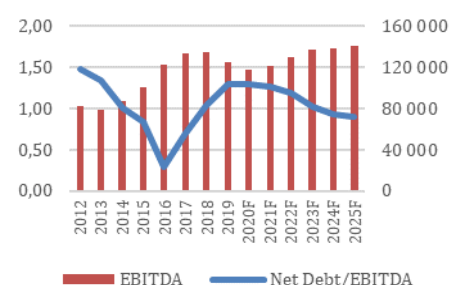


Source: CA, 2020 and Student Estimates

	2020F	2025F
Current Ratio (x)	2,19	2,51
Quick Ratio (x)	0,67	0,72
Cash Ratio (x)	0,10	0,06
Cash cycle conversion (days)	368,15	369,01

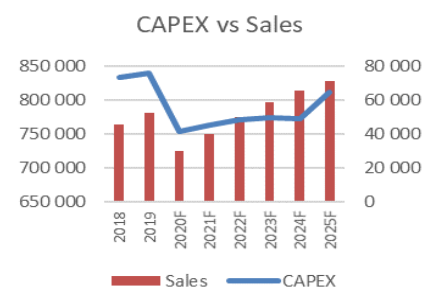
Source: Student Estimates

Figure 23: Net Debt vs EBITDA
Net Debt vs EBITDA



Source: CA, 2020 and Student Estimates

Figure 24: CAPEX vs Sales



Source: CA, 2020 and Student Estimates

Figure 25: Dividend vs FCF
Dividend vs FCF

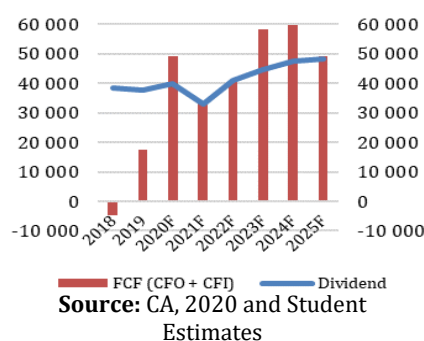


Figure 26: DPS vs Payout Ratio
DPS vs Payout Ratio

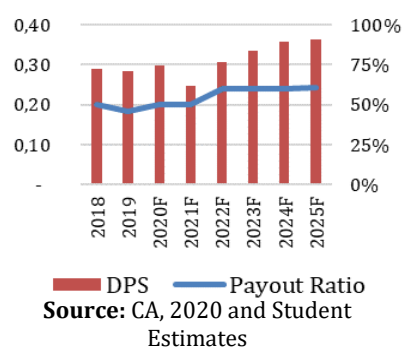


Figure 27: Gross Profit vs EBITDA margin
Gross Profit vs EBITDA margin

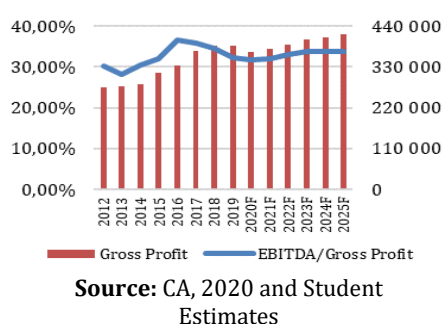
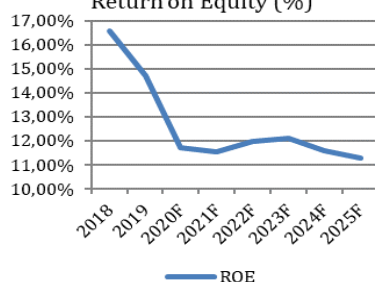


Figure 28: Return on Equity (%)
Return on Equity (%)



Distribution of dividends

This solid financial position made the company maintain a possibility of distributing dividends every year and possibly distribute extra-dividends in other periods, despite this period of economic crisis do not encourage to do so. Since 2015, the results are growing up significantly and the forecasted results, although affected by the pandemic, reducing them when compared with the previous years, maintained a growth track, which shows the health of the company and allows the distribution of dividends. For this forecast, it was predicted a Pay-out Ratio similar to 2018, around 50% of the total Net Profits, increasing to 60% in 2022 onwards.

Gross Profit and EBITDA margin

The analysis of Gross Profit shows an effective effort by CA's management to increase efficiency of the company, raising around €100M from 2014 until 2019 (€283,5M to €387.3M). Despite this increase of efficiency, EBITDA only grew up around €40M in the same period, due to an increase in the production factors' prices.

For the forecasted future, it is expected EBITDA margin to increase slightly, however not reaching 2018 values. The Gross Profit, as EBITDA, is affected by COVID-19 pandemic, as it is previewed a decrease in sales which is only reverted in 2022. It is forecasted that EBITDA value reaches 2018 value in 2022, and still grow up until perpetuity, reaching 140M€.

Company grow and increase in factors of production affecting ROE

CA's growing program by purchasing new companies and the decrease of sales caused by COVID-19 have influence in ROE. In the last years, CA decided to purchase new companies, increasing the accounting value of assets. Besides, the expected decrease in sales reduced the Net Profit. So, due to those two aspects, it is forecasted a reduction in ROE from 14.73% in 2019 to 11.70% in 2020, maintaining a constant value around 11% in the forecasted period.

Investment Risks

New Entrants

As mentioned previously, it is very difficult to entry in this industry. CA and other players established long-term relationships with suppliers in order to assure the cork needed at every time, despite the cork harvested could change every year and it is very difficult to a new player to establish this type of relationship. Furthermore, CA is a big player (over 40% of market share) in this market, and recently acquired another important player, and, being the leader, CA is also a price setter. All those reasons make difficult the entrance of new players.

Wine Consumption

World global wine consumption is stable, increasing slightly every year. Recently, we are assisting to a change in this industry preferences, due to a change in consumers' preferences, from cheaper wines to high rank wines. This change benefits CA, as this kind of wines are usually closed by natural cork stoppers.

Forests and Climate Change Risk

The vast majority of cork forests are in the Western Mediterranean Basin. However, due to climate changes (it is verified a decrease in average rainfall and an increase in average temperature in the last years), this region is becoming hotter and it can affect the quality of the cork extracted. To minimize this problem, CA is developing a new process of micro-irrigation and fertilization. The fact of this region is becoming hotter has caused an increase in the wildfires. Despite cork trees could be highly resistant to high temperatures, if fires affected them, they will need at least one year to recover, and only after that period, harvesting is allowed.

Cork Dependence

This industry is absolutely dependent on the availability of cork. It is not considered that cork oaks are in danger, due to the cork industry to control the harvest to ensure the survival and continuity of the trees and also because this tree is not propitious to be highly affected by fires. As cork is the main input for CA, an increase in its costs will affect CA profitability. So, as expectable, the impact is high.

Substitute Products

The threat of the substitute products (screwcaps and synthetic stoppers) is decreasing in recent years. According to APCOR (2018), 90% of clients prefer cork-sealed wines, as they associate it with a wine with quality. In many important wine markets, consumers are ready to pay a premium for wines sealed with cork (\$3.87 in the US and \$5.15 in China, according to Nielsen, 2017). Besides screwcaps and synthetic stoppers, it is not expected that a new substitute can appear in the market in the near future.

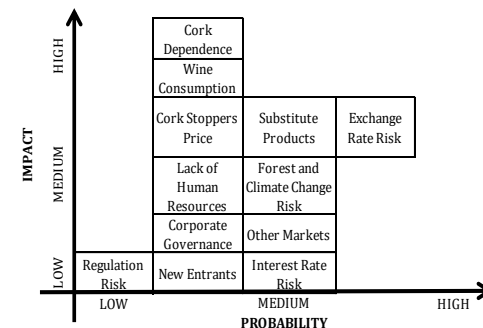
Exchange Rate Risk

Sales in non-euro currencies 2017YE reached 17.6% of total sales. The majority are in US Dollar (7.70%), followed by Chilean Peso and Australian Dollar (5.8% and 2.5%, respectively). CA uses derivative products to hedge the exchange rate risk. At least, a depreciation in USD value could have an impact of around 2% in the stock value.

Interest Rate Risk

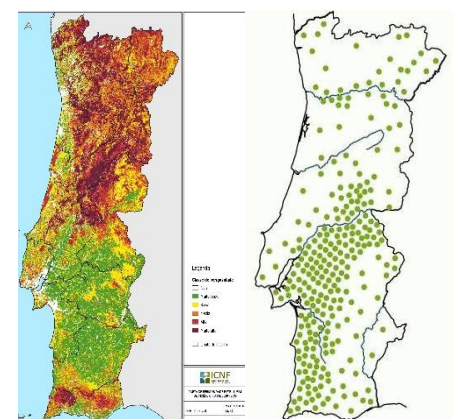
CA debt is totally in EUR, which makes the company dependent of ECB monetary policies. Similar to other companies, CA is benefiting of lower interest rates, which are not expected to increase in the near future, due to COVID-19 pandemic impact on world economy. As the ratio Debt to Equity is

Figure 29: CA's Risk Matrix



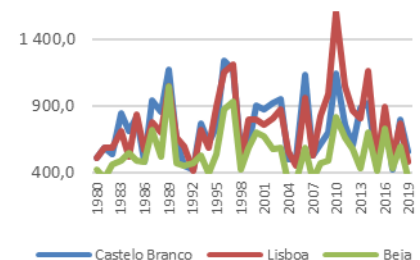
Source: Student Estimates

Figure 30: Risk of fires vs Location of Cork-Oak Forests



Source: ICNF, 2017 and Árvores de Portugal, 2017

Figure 31: Annual Average Rainfall



Source: Pordata, 2020

low, it means that CA finances itself by equity, and consequently changes in interest rates are not expected to have a significant impact.

Lack of Human Resources

As mentioned previously, Portugal is witnessing a significant rural exodus, which could have as consequence the lack of human resources capable to deal with cork production and harvesting. This fact could create some problems in the future, taking into consideration the specificities of how to grow this product. In order to deal with this problem, CA R&D unit is developing some activities in order to promote some automatization of procedures, in order to reduce the need for human resources and to increase efficiency.

Corporate Governance Risk

CA is, as mentioned previously, a company that is owned in its majority by Amorim Family. CA also only fulfilled 37 of the 60 recommendations provided by CMVM. However, we do not believe that shareholders' interests could be in danger. Due to its characteristic payout policy, CA regularly pays dividends, which allowed the family owner to diversify its portfolio, and investments are made over time in order to improve CA's performance.

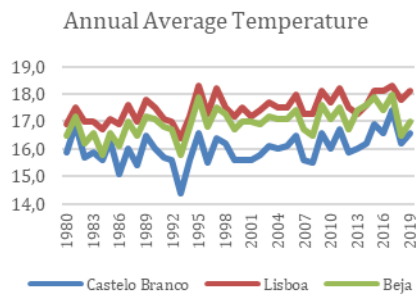
Regulatory Risk

In Portugal Decreto-Lei 155/2004 aims to assure the oak protection, considering it a national tree of Portugal. It is mandatory by law that the period of 9 years between each harvesting cycle should be respected. In other countries, this period is also respected, as this ensures the quality of the cork harvested.

Other markets

Another market that is very important to CA's performance is the Construction Industry. However, this market is extremely susceptible to the economic cycles, so a slowdown in the world economy could affect the company performance in this market.

Figure 32: Annual Average Temperature



Source: Pordata, 2020

Table 11: Impact on CA's share price due to a depreciation of USD, CLP or GBP

Depreciation Rate	0%	-5%	-10%
USD	13,24	13,10	12,97
CLP	13,24	13,13	13,03
GBP	13,24	13,19	13,14

Source: Student Estimates

Appendices

Appendix 1: Statement of Financial Position (CA)

BALANCE SHEET	2014	2015	2016	2017	2018	2019	2020F	2021F	2022F	2023F	2024F	2025F
ASSETS												
NON-CURRENT ASSETS												
Tangible fixed assets	182 893	190 352	197 454	227 905	259 433	284 636	288 992	297 218	307 341	317 835	326 425	349 551
Investment properties	5 190	5 008	7 100	5 678	5 480	5 387	5 118	4 862	4 619	4 388	4 168	3 960
Goodwill	2 911	0	0	9 848	13 987	13 743	13 743	13 743	13 743	13 743	13 743	13 743
Investments in associated companies and JV	10 841	13 304	9 450	11 006	9 537	22 366	22 366	22 366	22 366	22 366	22 366	22 366
Biological Assets	0	0	0	0	240	0	0	0	0	0	0	0
Intangible assets	1 091	2 489	3 776	4 077	7 585	10 852	10 076	10 420	10 775	11 067	11 299	11 501
Other non-current assets	3 631	4 178	3 940	2 520	1 632	1 550	3 275	3 386	3 502	3 596	3 672	3 737
Customers	0	0	0	0	4 844	3 906	3 720	3 847	3 978	4 085	4 171	4 246
Deferred tax assets	6 708	8 359	10 004	13 146	13 346	14 396	14 396	14 396	14 396	14 396	14 396	14 396
Total Non-Current Assets	213 265	223 690	231 724	274 180	316 084	356 836	361 686	370 237	380 720	391 476	400 242	423 500
CURRENT ASSETS												
Inventories	247 633	271 705	268 691	359 141	406 090	397 840	388 942	407 893	422 321	431 373	441 881	449 604
Customers	122 606	132 545	141 876	167 604	174 483	165 484	163 215	168 774	174 537	179 254	183 025	186 288
Tax	2 233	3 139	4 214	13 297	8 915	11 773	12 396	11 319	10 131	10 405	10 624	10 814
Other current assets	25 673	28 678	29 249	38 180	38 807	40 075	36 641	37 889	39 183	40 242	41 089	41 821
Cash and cash equivalents	6 036	7 462	51 119	17 005	21 695	22 144	28 274	22 857	17 193	23 726	29 955	16 619
Total current assets	404 181	443 529	495 149	595 227	649 990	637 316	629 468	648 732	663 365	685 001	706 575	705 146
TOTAL ASSETS	617 446	667 219	726 873	869 407	966 074	994 152	991 154	1 018 969	1 044 085	1 076 477	1 106 816	1 128 646
SHAREHOLDERS' FUNDS												
Share capital	133 000	133 000	133 000	133 000	133 000	133 000	133 000	133 000	133 000	133 000	133 000	133 000
Own Shares	-7 197	0	0	0	0	0	0	0	0	0	0	0
Legal and Other reserves	140 617	152 754	175 347	224 439	255 974	301 515	338 924	370 154	396 652	425 710	456 791	487 459
Consolidated net profit/ (loss)	35 756	55 012	102 703	73 027	77 389	74 947	62 194	65 139	70 937	75 875	76 240	77 576
Non-controlling interests	13 393	13 367	15 893	29 525	31 871	30 081	26 216	22 490	18 223	18 979	19 575	20 182
Total shareholders' funds	315 569	354 133	426 943	459 991	498 234	539 543	560 335	590 782	618 812	653 564	685 606	718 217
NON-CURRENT LIABILITIES												
Loans	26 225	41 211	38 609	48 094	39 503	59 126	64 061	62 107	60 318	57 914	55 893	50 915
Other non-current liabilities	11 533	10 015	10 072	36 179	30 263	23 269	23 269	23 269	23 269	23 269	23 269	23 269
Provisions	27 950	32 227	30 661	41 915	44 702	5 464	5 464	5 464	5 464	5 464	5 464	5 464
Deferred tax liabilities	6 970	6 743	6 856	7 187	7 737	50 370	50 370	50 370	50 370	50 370	50 370	50 370
Total non-current liabilities	72 678	90 196	86 198	133 375	122 205	138 229	143 164	141 210	139 421	137 017	134 996	130 018
CURRENT LIABILITIES												
Loans (including overdraft)	67 369	50 146	48 399	61 695	121 200	124 108	116 672	113 112	109 855	105 477	101 796	92 729
Suppliers	115 303	121 184	109 985	157 096	165 008	132 086	115 987	116 190	116 281	119 424	121 936	124 110
Other current liabilities	44 007	49 518	49 631	55 019	57 503	58 275	53 232	55 826	57 800	59 039	60 478	61 534
Tax	2 520	2 042	5 717	2 231	1 924	1 911	1 764	1 850	1 915	1 956	2 004	2 039
Total current liabilities	229 199	222 890	213 732	276 041	345 635	316 380	287 655	286 977	285 851	285 896	286 214	280 412
TOTAL LIABILITIES	301 877	313 086	299 930	409 416	467 840	454 609	430 819	428 187	425 273	422 913	421 210	410 429
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES	617 446	667 219	726 873	869 407	966 074	994 152	991 154	1 018 969	1 044 085	1 076 477	1 106 816	1 128 646

Source: Company data and student estimates

BALANCE SHEET (Common Size)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
ASSETS												
NON-CURRENT ASSETS												
Tangible fixed assets	29,62%	28,53%	27,16%	26,21%	26,85%	28,63%	29,16%	29,17%	29,44%	29,53%	29,49%	30,97%
Investment properties	0,84%	0,75%	0,98%	0,65%	0,57%	0,54%	0,52%	0,48%	0,44%	0,41%	0,38%	0,35%
Goodwill	0,47%	0,00%	0,00%	1,13%	1,45%	1,38%	1,39%	1,35%	1,32%	1,28%	1,24%	1,22%
Investments in associated companies and JV	1,76%	1,99%	1,30%	1,27%	0,99%	2,25%	2,26%	2,19%	2,14%	2,08%	2,02%	1,98%
Biological Assets	0,00%	0,00%	0,00%	0,00%	0,02%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Intangible assets	0,18%	0,37%	0,52%	0,47%	0,79%	1,09%	1,02%	1,02%	1,03%	1,03%	1,02%	1,02%
Other non-current assets	0,59%	0,63%	0,54%	0,29%	0,17%	0,16%	0,33%	0,33%	0,34%	0,33%	0,33%	0,33%
Customers	0,00%	0,00%	0,00%	0,00%	0,50%	0,39%	0,38%	0,38%	0,38%	0,38%	0,38%	0,38%
Deferred tax assets	1,09%	1,25%	1,38%	1,51%	1,38%	1,45%	1,45%	1,41%	1,38%	1,34%	1,30%	1,28%
Total Non-Current Assets	34,54%	33,53%	31,88%	31,54%	32,72%	35,89%	36,49%	36,33%	36,46%	36,37%	36,16%	37,52%
CURRENT ASSETS	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Inventories	40,11%	40,72%	36,97%	41,31%	42,04%	40,02%	39,24%	40,03%	40,45%	40,07%	39,92%	39,84%
Customers	19,86%	19,87%	19,52%	19,28%	18,06%	16,65%	16,47%	16,56%	16,72%	16,65%	16,54%	16,51%
Tax	0,36%	0,47%	0,58%	1,53%	0,92%	1,18%	1,25%	1,11%	0,97%	0,97%	0,96%	0,96%
Other current assets	4,16%	4,30%	4,02%	4,39%	4,02%	4,03%	3,70%	3,72%	3,75%	3,74%	3,71%	3,71%
Cash and cash equivalents	0,98%	1,12%	7,03%	1,96%	2,25%	2,23%	2,85%	2,24%	1,65%	2,20%	2,71%	1,47%
Total current assets	65,46%	66,47%	68,12%	68,46%	67,28%	64,11%	63,51%	63,67%	63,54%	63,63%	63,84%	62,48%
TOTAL ASSETS	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%
SHAREHOLDERS' FUNDS												
Share capital	21,54%	19,93%	18,30%	15,30%	13,77%	13,38%	13,42%	13,05%	12,74%	12,36%	12,02%	11,78%
Own Shares	-1,17%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Legal and Other reserves	22,77%	22,89%	24,12%	25,82%	26,50%	30,33%	34,19%	36,33%	37,99%	39,55%	41,27%	43,19%
Consolidated net profit/ (loss)	5,79%	8,24%	14,13%	8,40%	8,01%	7,54%	6,27%	6,39%	6,79%	7,05%	6,89%	6,87%
Non-controlling interests	2,17%	2,00%	2,19%	3,40%	3,30%	3,03%	2,65%	2,21%	1,75%	1,76%	1,77%	1,79%
Total shareholders' funds	51,11%	53,08%	58,74%	52,91%	51,57%	54,27%	56,53%	57,98%	59,27%	60,71%	61,94%	63,64%
NON-CURRENT LIABILITIES	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Loans	4,25%	6,18%	5,31%	5,53%	4,09%	5,95%	6,46%	6,10%	5,78%	5,38%	5,05%	4,51%
Other non-current liabilities	1,87%	1,50%	1,39%	4,16%	3,13%	2,34%	2,35%	2,28%	2,23%	2,16%	2,10%	2,06%
Provisions	4,53%	4,83%	4,22%	4,82%	4,63%	0,55%	0,55%	0,54%	0,52%	0,51%	0,49%	0,48%
Deferred tax liabilities	1,13%	1,01%	0,94%	0,83%	0,80%	5,07%	5,08%	4,94%	4,82%	4,68%	4,55%	4,46%
Total non-current liabilities	11,77%	13,52%	11,86%	15,34%	12,65%	13,90%	14,44%	13,86%	13,35%	12,73%	12,20%	11,52%
CURRENT LIABILITIES	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Loans (including overdraft)	10,91%	7,52%	6,66%	7,10%	12,55%	12,48%	11,77%	11,10%	10,52%	9,80%	9,20%	8,22%
Suppliers	18,67%	18,16%	15,13%	18,07%	17,08%	13,29%	11,70%	11,40%	11,14%	11,09%	11,02%	11,00%
Other current liabilities	7,13%	7,42%	6,83%	6,33%	5,95%	5,86%	5,37%	5,48%	5,54%	5,48%	5,46%	5,45%
Tax	0,41%	0,31%	0,79%	0,26%	0,20%	0,19%	0,18%	0,18%	0,18%	0,18%	0,18%	0,18%
Total current liabilities	37,12%	33,41%	29,40%	31,75%	35,78%	31,82%	29,02%	28,16%	27,38%	26,56%	25,86%	24,84%
TOTAL LIABILITIES	48,89%	46,92%	41,26%	47,09%	48,43%	45,73%	43,47%	42,02%	40,73%	39,29%	38,06%	36,36%
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%

Source: Company data and student estimates

Appendix 2: Income Statement (CA)

INCOME STATEMENT	2014	2015	2016	2017	2018	2019	2020F	2021F	2022F	2023F	2024F	2025F
Total Sales	560 340	604 800	641 411	701 609	763 117	781 060	724 922	749 612	775 208	796 160	812 909	827 400
Cost of sales and Δ inventories	-276 757	-289 187	-306 708	-328 098	-376 661	-393 682	-354 065	-371 317	-384 451	-392 691	-402 257	-409 288
Gross Profit	283 583	315 613	334 703	373 511	386 456	387 378	370 857	378 295	390 757	403 468	410 652	418 112
External suppliers and services	-96 429	-100 537	-103 001	-116 524	-124 140	-124 753	-117 630	-121 636	-125 790	-129 190	-131 907	-134 259
Payroll expenses	-103 315	-111 881	-113 291	-125 630	-134 239	-139 902	-139 185	-139 053	-139 537	-141 461	-144 437	-147 011
Provisions and impairment losses	-149	-3 291	-729	-2 290	73	-1 194	-1 057	-1 093	-1 131	-1 161	-1 186	-1 207
Other incomes	9 613	8 934	9 596	12 348	11 599	10 046	10 987	11 361	11 749	12 066	12 320	12 540
Other costs	-6 581	-8 118	-4 932	-7 821	-5 765	-6 851	-6 373	-6 590	-6 815	-6 999	-7 146	-7 273
EBITDA	86 722	100 720	122 346	133 594	133 984	124 724	117 599	121 284	129 233	136 724	138 296	140 902
Amortization and depreciation	-22 336	-25 051	-26 310	-29 599	-31 279	-35 177	-36 296	-36 695	-37 698	-38 933	-40 206	-41 244
EBIT	64 386	75 669	96 036	103 995	102 705	89 547	81 303	84 588	91 535	97 792	98 090	99 658
Non-recurrent results	-6 354	-2 904	-4 353	-2 913	57	-1 620	0	0	0	0	0	0
Financial expenses	-6 036	-2 848	860	-1 471	-3 547	-2 177	-3 833	-3 781	-3 666	-3 560	-3 418	-3 299
Interests	-4 078	-2 139	-1 646	-1 471	-3 547	-2 177	-3 833	-3 781	-3 666	-3 560	-3 418	-3 299
Provisions	-1 958	-709	2 506	0	0	0	0	0	0	0	0	0
Financial incomes	180	58	88	191	95	81	96	123	99	75	103	130
Gains & losses in assoc. co. & JV	1 280	3 091	2 384	1 039	1 874	2 708	3 071	3 071	3 071	3 071	3 071	3 071
Gains selling Associated Companies	0	0	47 577	0	817	2 873	0	0	0	0	0	0
Profit before income tax	53 456	73 066	142 592	100 841	102 001	91 412	80 637	84 002	91 040	97 378	97 847	99 561
Income tax	-16 776	-17 496	-37 879	-24 263	-19 393	-11 951	-15 092	-15 722	-17 039	-18 225	-18 313	-18 633
Net Profit	36 680	55 570	104 713	76 578	82 608	79 461	65 546	68 280	74 001	79 153	79 534	80 927
Minority interest	924	558	2 010	3 551	5 219	4 514	3 351	3 142	3 065	3 278	3 294	3 351
Parent company's shareholders	35 756	55 012	102 703	73 027	77 389	74 947	62 194	65 139	70 937	75 875	76 240	77 576

Source: Company data and student estimates

INCOME STATEMENT (Common Size)	2014	2015	2016	2017	2018	2019	2020F	2021F	2022F	2023F	2024F	2025F
Total Sales	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%
Cost of sales and Δ inventories	-49,39%	-47,82%	-47,82%	-46,76%	-49,36%	-50,40%	-48,84%	-49,53%	-49,59%	-49,32%	-49,48%	-49,47%
Gross Profit	50,61%	52,18%	52,18%	53,24%	50,64%	49,60%	51,16%	50,47%	50,41%	50,68%	50,52%	50,53%
External suppliers and services	-17,21%	-16,62%	-16,06%	-16,61%	-16,27%	-15,97%	-16,23%	-16,23%	-16,23%	-16,23%	-16,23%	-16,23%
Payroll expenses	-18,44%	-18,50%	-17,66%	-17,91%	-17,59%	-17,91%	-19,20%	-18,55%	-18,00%	-17,77%	-17,77%	-17,77%
Provisions and impairment losses	-0,03%	-0,54%	-0,11%	-0,33%	0,01%	-0,15%	-0,15%	-0,15%	-0,15%	-0,15%	-0,15%	-0,15%
Other incomes	1,72%	1,48%	1,50%	1,76%	1,52%	1,29%	1,52%	1,52%	1,52%	1,52%	1,52%	1,52%
Other costs	-1,17%	-1,34%	-0,77%	-1,11%	-0,76%	-0,88%	-0,88%	-0,88%	-0,88%	-0,88%	-0,88%	-0,88%
EBITDA	15,48%	16,65%	19,07%	19,04%	17,56%	15,97%	16,22%	16,18%	16,67%	17,17%	17,01%	17,03%
Amortization and depreciation	-3,99%	-4,14%	-4,10%	-4,22%	-4,10%	-4,50%	-5,01%	-4,90%	-4,86%	-4,89%	-4,95%	-4,98%
EBIT	11,49%	12,51%	14,97%	14,82%	13,46%	11,46%	11,22%	11,28%	11,81%	12,28%	12,07%	12,04%
Non-recurrent results	-1,13%	-0,48%	-0,68%	-0,42%	0,01%	-0,21%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Financial expenses	-1,08%	-0,47%	0,13%	-0,21%	-0,46%	-0,28%	-0,53%	-0,50%	-0,47%	-0,45%	-0,42%	-0,40%
Interests	-0,73%	-0,35%	-0,26%	-0,21%	-0,46%	-0,28%	-0,53%	-0,50%	-0,47%	-0,45%	-0,42%	-0,40%
Provisions	-0,35%	-0,12%	0,39%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Financial incomes	0,03%	0,01%	0,01%	0,03%	0,01%	0,01%	0,01%	0,02%	0,01%	0,01%	0,01%	0,02%
Gains & losses in assoc. co. & JV	0,23%	0,51%	0,37%	0,15%	0,25%	0,35%	0,42%	0,41%	0,40%	0,39%	0,38%	0,37%
Gains selling Associated Companies	0,00%	0,00%	7,42%	0,00%	0,11%	0,37%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Profit before income tax	9,54%	12,08%	22,23%	14,37%	13,37%	11,70%	11,12%	11,21%	11,74%	12,23%	12,04%	12,03%
Income tax	-2,99%	-2,89%	-5,91%	-3,46%	-2,54%	-1,53%	-2,08%	-2,10%	-2,20%	-2,29%	-2,25%	-2,25%
Net Profit	6,55%	9,19%	16,33%	10,91%	10,83%	10,17%	9,04%	9,11%	9,55%	9,94%	9,78%	9,78%
Minority interest	0,16%	0,09%	0,31%	0,51%	0,68%	0,58%	0,46%	0,42%	0,40%	0,41%	0,41%	0,41%
Parent company's shareholders	6,38%	9,10%	16,01%	10,41%	10,14%	9,60%	8,58%	8,69%	9,15%	9,53%	9,38%	9,38%

Source: Company data and student estimates

Appendix 3: Cash-Flow Statement (CA)

	2018	2019	2020	2021	2022	2023	2024	2025
OPERATING ACTIVITIES								
EBITDA	133 984	124 724	117 599	121 284	129 233	136 724	138 296	140 902
Change in NWC	-39 984	-19 040	-7 311	-21 799	-18 166	-10 680	-11 346	-8 642
Income Tax	-19 393	-11 951	-15 092	-15 722	-17 039	-18 225	-18 313	-18 633
Total Cash Flow from Operations	74 607	93 733	95 195	83 763	94 029	107 820	108 637	113 627
INVESTING ACTIVITIES								
Capex: Maintenance & Investment	-73 183	-75 929	-41 145	-45 246	-48 181	-49 689	-48 971	-64 502
Other investment	-6 010	-340	-4 955	-5 004	-5 004	0	0	0
Total Cash Flow from Investing	-79 193	-76 269	-46 100	-50 250	-53 184	-49 689	-48 971	-64 502
FINANCING ACTIVITIES								
Parent Company's Dividends	-35 910	-35 910	-37 538	-30 964	-38 641	-41 879	-44 794	-45 572
Minority Interest's Dividends	-2 445	-1 901	-2 261	-1 865	-2 327	-2 522	-2 698	-2 745
Total Dividend payment	-38 355	-37 811	-39 799	-32 829	-40 968	-44 401	-47 492	-48 317
Financial expense	-704	1 865	-665	-586	-495	-414	-243	-97
Loan payments	48 335	18 932	-2 501	-5 514	-5 046	-6 782	-5 702	-14 046
Total Cash Flow from Financing	9 276	-17 014	-42 965	-38 930	-46 509	-51 597	-53 437	-62 460
Net change in cash	4 690	450	6 130	-5 417	-5 664	6 533	6 229	-13 336
Beginning balance of cash	17 005	21 695	22 144	28 274	22 857	17 193	23 726	29 955
Ending balance of cash	21 695	22 144	28 274	22 857	17 193	23 726	29 955	16 619

Source: Company data and student estimates

Appendix 4: Key Financial Ratios

Ratios	Unit	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
PROFITABILITY RATIOS													
Gross Profit Margin	%	50,61%	52,18%	52,18%	53,24%	50,64%	49,60%	51,16%	50,47%	50,41%	50,68%	50,52%	50,53%
EBITDA Margin	%	15,48%	16,65%	19,07%	19,04%	17,56%	15,97%	16,22%	16,18%	16,67%	17,17%	17,01%	17,03%
EBIT Margin	%	11,49%	12,51%	14,97%	14,82%	13,46%	11,46%	11,22%	11,28%	11,81%	12,28%	12,07%	12,04%
Net Profit Margin	%	6,55%	9,19%	16,33%	10,91%	10,83%	10,17%	9,04%	9,11%	9,55%	9,94%	9,78%	9,78%
ROA	%	5,94%	8,33%	14,41%	8,81%	8,55%	7,99%	6,61%	6,70%	7,09%	7,35%	7,19%	7,17%
ROE	%	11,62%	15,69%	24,53%	16,65%	16,58%	14,73%	11,70%	11,56%	11,96%	12,11%	11,60%	11,27%
EFFICIENCY RATIOS													
Receivable turnover	times	4,60	4,74	4,67	4,53	4,46	4,59	4,41	4,52	4,52	4,50	4,49	4,48
Days Sales Outstanding (DSO)	days	79,86	79,99	80,74	87,19	83,46	77,33	82,18	82,18	82,18	82,18	82,18	82,18
Inventory turnover	times	1,13	1,11	1,14	1,05	0,98	0,98	0,90	0,93	0,93	0,92	0,92	0,92
Days Inventory Outstanding (DIO)	days	324,24	327,74	321,55	349,22	370,77	372,68	405,54	391,64	394,11	396,75	396,19	397,51
Payables turnover	times	2,30	2,45	2,65	2,46	2,34	2,65	2,85	3,20	3,31	3,33	3,33	3,33
Days payable outstanding (DPO)	days	152,07	152,95	130,89	174,76	159,90	122,46	119,57	114,21	110,40	111,00	110,64	110,68
Operating Cycle	days	404,10	407,74	402,29	436,42	454,23	450,01	487,72	473,82	476,28	478,93	478,37	479,69
Cash cycle conversion (CCC)	days	252,03	254,78	271,40	261,65	294,33	327,55	368,15	359,61	365,89	367,92	367,72	369,01
Fixed asset turnover	times	3,05	3,24	3,31	3,30	3,13	2,87	2,53	2,56	2,56	2,55	2,52	2,45
Total asset turnover	times	0,90	0,94	0,92	0,88	0,83	0,80	0,73	0,75	0,75	0,75	0,74	0,74
LIQUIDITY RATIOS													
Current Ratio (x)	times	1,76	1,99	2,32	2,16	1,88	2,01	2,19	2,26	2,32	2,40	2,47	2,51
Quick Ratio (x)	times	0,56	0,63	0,90	0,67	0,57	0,59	0,67	0,67	0,67	0,71	0,74	0,72
Cash Ratio (x)	times	0,03	0,03	0,24	0,06	0,06	0,07	0,10	0,08	0,06	0,08	0,10	0,06
CAPITAL STRUCTURE													
Total Debt to Total Equity	times	0,30	0,26	0,20	0,24	0,32	0,34	0,32	0,30	0,28	0,25	0,23	0,20
Total Debt to Total Capital	times	0,23	0,21	0,17	0,19	0,24	0,25	0,24	0,23	0,22	0,20	0,19	0,17
Total Debt to Total Assets	times	0,15	0,14	0,12	0,13	0,17	0,18	0,18	0,17	0,16	0,15	0,14	0,13
Interest Coverage Ratio	times	15,79	35,38	58,35	70,70	28,96	41,13	21,21	22,37	24,97	27,47	28,70	30,21
Long-Term Debt to Equity	times	0,08	0,12	0,09	0,10	0,08	0,11	0,11	0,11	0,10	0,09	0,08	0,07
Long-Term Debt to Total Capital	times	0,06	0,09	0,08	0,08	0,06	0,08	0,09	0,08	0,08	0,07	0,07	0,06
Long-Term Debt to Assets	times	0,04	0,06	0,05	0,06	0,04	0,06	0,06	0,06	0,06	0,05	0,05	0,05

Source: Company data and student estimates

Appendix 5: Income Statement Assumptions

Income Statement	2020	2021	2022	2023	2024	2025	Justification
Sales Growth	N/A	N/A	N/A	N/A	N/A	N/A	
Cost of Sales / Sales	-48,84%	-49,53%	-49,59%	-49,32%	-49,48%	-49,47%	Assumed to be the average of the previous 3 years.
ESS / Sales	-16,23%	-16,23%	-16,23%	-16,23%	-16,23%	-16,23%	Considered an average of the last 4 years.
Payroll Exp / Sales	-19,20%	-18,55%	-18,00%	-17,77%	-17,77%	-17,77%	Considered an average of the last 4 years.
Impairment / Sales	-0,15%	-0,15%	-0,15%	-0,15%	-0,15%	-0,15%	Considered an average of the last 4 years.
Other Incomes / Sales	1,52%	1,52%	1,52%	1,52%	1,52%	1,52%	Considered an average of the last 4 years.
Other Losses / Sales	-0,88%	-0,88%	-0,88%	-0,88%	-0,88%	-0,88%	Considered an average of the last 4 years.
Amortization / Assets (n-1)	-12,06%	-12,06%	-12,06%	-12,06%	-12,06%	-12,06%	Considered an average of the last 4 years.
Non-recurrent results	0	0	0	0	0	0	Considered an average of the last 3 years. Provisions value assumed to be constant over the time
Financial Expenses	0	0	0	0	0	0	
Interests / Debt (n-1)	-2,09%	-2,09%	-2,09%	-2,09%	-2,09%	-2,09%	
Provisions	0	0	0	0	0	0	
Financial incomes	0	0	0	0	0	0	
Interests / Cash&Eq (n-1)	0,44%	0,44%	0,44%	0,44%	0,44%	0,44%	Considered an average of the last 3 years.
Gains & losses in assoc. co. & JV	13,73%	13,73%	13,73%	13,73%	13,73%	13,73%	Considered an average of the last 3 years.
Gains selling Associated Companies	0	0	0	0	0	0	It is not expected CA to sell any participation in Associated Companies
Income Tax	-18,72%	-18,72%	-18,72%	-18,72%	-18,72%	-18,72%	Considered an average of the last 3 years.
Minority interest	5,11%	4,60%	4,14%	4,14%	4,14%	4,14%	Purchase of Bourrassé will decrease Minority Interests. Considered a reduction of 10% in the percentage of Minority Interests, until 2022. Were not considered any other changes.

Source: Student Estimates

Appendix 6: Balance Sheet Assumptions

Balance Sheet	2020	2021	2022	2023	2024	2025	Justification
NON-CURRENT ASSETS							
Tangible fixed assets (Assets/Sales)	37,00%	41,00%	41,00%	41,00%	41,00%	43,00%	Considered an increase in this ratio due to consecutive purchase of new companies by CA and its consequent integration in CA accounts. Considered a decrease of 5,00% related to the previous year, not considering year 2016, as it were some items which were reclassified into Investment Properties and other ones that were derecognized.
Investment properties (IP n/IP (n-1))	-5,00%	-5,00%	-5,00%	-5,00%	-5,00%	-5,00%	
Goodwill	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	
Investments in associated companies and JV	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	
Biological Assets	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	
Intangible assets (Assets/Sales)	1,39%	1,39%	1,39%	1,39%	1,39%	1,39%	
Other non-current assets (Assets/Sales)	0,45%	0,45%	0,45%	0,45%	0,45%	0,45%	
Customers	0,51%	0,51%	0,51%	0,51%	0,51%	0,51%	
Deferred tax assets	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	
CURRENT ASSETS							
Inventories	-109,85%	-109,85%	-109,85%	-109,85%	-109,85%	-109,85%	Considered an average of the last 4 years, correlated to COGS
Customers	22,51%	22,51%	22,51%	22,51%	22,51%	22,51%	Considered an average of the last 4 years, correlated to COGS
Tax	1,71%	1,51%	1,31%	1,31%	1,31%	1,31%	Considered an average of the last 4 years, correlated to COGS
Other current assets	5,05%	5,05%	5,05%	5,05%	5,05%	5,05%	Considered an average of the last 4 years, correlated to COGS
Cash and cash equivalents							
SHAREHOLDERS' FUNDS							
Share capital	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	
Own Shares	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	
Legal and Other reserves	N/A	N/A	N/A	N/A	N/A	N/A	
Consolidated net profit/ (loss)	N/A	N/A	N/A	N/A	N/A	N/A	
Non-controlling interests	N/A	N/A	N/A	N/A	N/A	N/A	
NON-CURRENT LIABILITIES							
Loans	N/A	N/A	N/A	N/A	N/A	N/A	
Other non-current liabilities	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	
Provisions	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	
Deferred tax liabilities	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	
CURRENT LIABILITIES							
Loans (including overdraft)	N/A	N/A	N/A	N/A	N/A	N/A	
Suppliers	-16,00%	-15,50%	-15,00%	-15,00%	-15,00%	-15,00%	Considered an average of the last 3 years, correlated to Sales
Other current liabilities	15,03%	15,03%	15,03%	15,03%	15,03%	15,03%	Considered an average of the last 2 years, correlated to COGS
Tax	0,50%	0,50%	0,50%	0,50%	0,50%	0,50%	Considered an average of the last 2 years, correlated to COGS

Source: Student Estimates

Appendix 7: Sales breakdown by BU

Business Unit	2014	2015	2016	2017	2018	2019	2020F	2021F	2022F	2023F	2024F	2025F
Raw Materials	5 253	7 344	9 406	11 210	20 480	14 798	13 318	13 451	13 586	13 722	13 859	13 998
Cork Stoppers	353 306	388 493	417 592	472 080	526 179	549 196	516 244	536 894	558 370	575 121	588 061	599 822
Cork Coverings	113 345	107 440	113 773	118 180	108 654	106 025	95 423	97 331	99 278	101 263	103 288	104 321
Cork Composites	79 431	92 944	91 463	90 441	97 383	99 240	89 316	91 102	92 924	94 783	96 205	97 648
Isolation Cork	8 138	8 536	9 085	9 648	10 318	11 754	10 579	10 790	11 006	11 226	11 451	11 565
Other	867	43	92	50	103	47	42	43	44	45	45	46
SALES	560 340	604 800	641 411	701 609	763 117	781 060	724 922	749 612	775 208	796 160	812 909	827 400

Source: Student Estimates

Appendix 8: WACC Assumptions

	2020F	2021F	2022F	2023F	2024F	2025F
Equity	560 335	590 782	618 812	653 564	685 606	718 217
Debt	180 733	175 219	170 173	163 391	157 689	143 643
Equity + Debt	741 068	766 001	788 985	816 955	843 296	861 860
Ke	4,98%	4,98%	4,98%	4,98%	4,98%	5,23%
Rf	0,43%	0,43%	0,43%	0,43%	0,43%	0,68%
Beta	0,59	0,59	0,59	0,59	0,59	0,59
MRP	7,71%	7,71%	7,71%	7,71%	7,71%	7,71%
Kd	2,09%	2,09%	2,09%	2,09%	2,09%	2,09%
(1-t)	81,28%	81,28%	81,28%	81,28%	81,28%	81,28%
WACC	4,18%	4,23%	4,27%	4,32%	4,37%	4,64%

Source: Student Estimates

Market-Risk Premium: MRP it was considered a pro-rata basis between the MRP (based on Damodaran, 2019) of each country and the breakdown by region of sales.

Risk-Free Rate: As the company is most sensitive to Portuguese risks (because most of costs are incurred in Portugal), despite CA sells its products worldwide, it was considered the Portuguese Bond 10-year rate, and, for the terminal period, it was considered the Portuguese Bond 15-year rate.

Beta: We performed a regression considering EUROSTOXX50 and CA's daily returns to obtain the beta ("raw"). By performing the Blume Adjustment, we obtained the adjusted beta for the index. This adjustment will allow us to obtain a more precise forecast of the beta.

Appendix 9: FCFF Valuation

It was considered an adjustment in Enterprise Value in order to obtain a more consistent value to Equity Value. Minority Interests, Net Debt and reimbursable grants were not considered, and were added Investments in associated companies and JV. The acquisition of the remaining of Bourrassé was considered as an adjustment under Investments.

	2020	2021	2022	2023	2024	2025
(1-t)	81,28%	81,28%	81,28%	81,28%	81,28%	81,28%
EBIT	81 303	84 588	91 535	97 792	98 090	99 658
Amortization and depreciation	-36 296	-36 695	-37 698	-38 933	-40 206	-41 244
Δ Provisions	0	0	0	0	0	0
Δ in NWC	-7 311	-21 799	-18 166	-10 680	-11 346	-8 642
Capex: Maintenance & Investment	-41 145	-45 246	-48 181	-49 689	-48 971	-64 502
Acquisition of Bourrassée	-4 955	-5 004	-5 004	0	0	0
FCFF	48 970	33 403	40 752	58 053	59 620	49 106

Source: Student Estimates

Price Target	
Enterprise Value	1 929 865,95
- Other borr. & creditors	- 12 568,00
- Non-controlling interests	- 26 216,26
+ Investments in associates	22 366,00
- Net Debt	- 152 459,56
Equity Value	1 760 988,14
No. shares outstanding	133 000,00
Price Target	13,24
Share Price - 30 Jun, 2020	10,08
Upside Potential	31%

Source: Student Estimates

Appendix 10: FCFE Valuation

The Equity Value in the FCFE was adjusted and it was included Investments in Associates and excluded Net Debt.

	2020	2021	2022	2023	2024	2025
(1-t)	81,28%	81,28%	81,28%	81,28%	81,28%	81,28%
Net Income	62 194	65 139	70 937	75 875	76 240	77 576
Amortization and depreciation	-36 296	-36 695	-37 698	-38 933	-40 206	-41 244
Δ Provisions	0	0	0	0	0	0
Δ in NWC	-7 311	-21 799	-18 166	-10 680	-11 346	-8 642
Capex: Maintenance & Investment	-41 145	-45 246	-48 181	-49 689	-48 971	-64 502
Acquisition of Bourassée	-4 955	-5 004	-5 004	0	0	0
Net Borrowing	-2 501	-5 514	-5 046	-6 782	-5 702	-14 046
FCFE	57 200	67 869	68 571	69 016	73 120	48 913

Source: Student Estimates

Price Target	
Enterprise Value	1 898 095,04
+ Investments in associates	22 366,00
- Net Debt	- 152 459,56
Equity Value	1 768 001,48
No. shares outstanding	133 000,00
Price Target	13,29
Share Price - 30 Jun, 2020	10,08
Upside Potential	32%

Source: Student Estimates

Appendix 11: Dividend Discount Model (DDM)

Regarding the DDM, it was applied the H-model, where we considered a short-term growth rate of 5.26% and it was considered a long-term growth of 1.74%, similar to the perpetual growth-rate in FCFF.

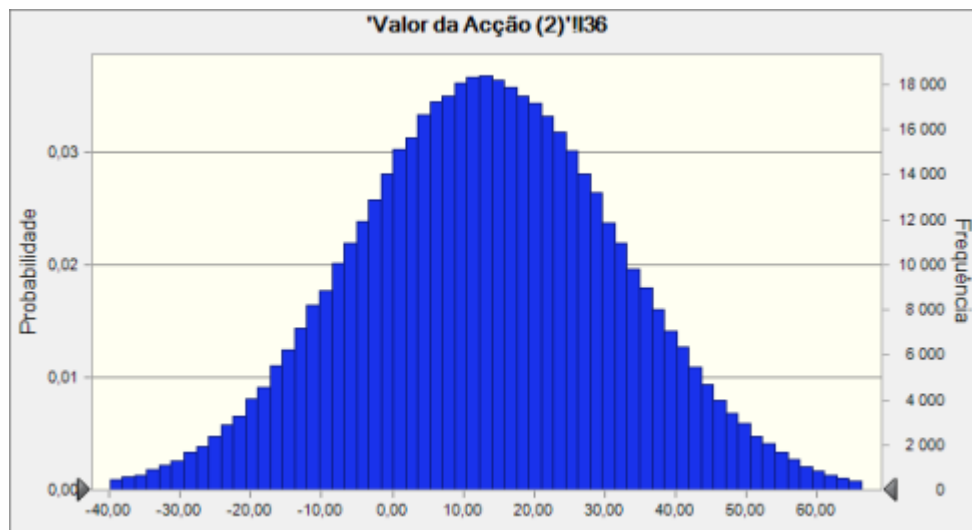
	2019	2020	2021	2022	2023	2024	2025
EPS	0,56	0,47	0,49	0,53	0,57	0,57	0,58
YoY		-17,02%	4,73%	8,90%	6,96%	0,48%	1,75%
DPS	0,28	0,30	0,25	0,31	0,33	0,36	0,36
YoY		5,26%	-17,51%	24,79%	8,38%	6,96%	1,74%

Source: Student Estimates

Price Target	
Inputs	
Dividend 2025	0,36
H (6 years)	2,18
Long-term Growth	1,74%
Short-term Growth	5,26%
Value per share	13,30
Share Price - 30 Jun, 2020	10,08
Upside Potential	32%

Source: Student Estimates

Appendix 12: Montecarlo Simulation



Statistics:	Prevision Values
Nr. of Simulations	500 000
Basis Case	13,24
Mean	13,20
Median	13,19
Mode	23,63
Standard Deviaton	18,93
Variance	358,35
Skewness	-0,0011
Kurtosis	3,01
Variation Coefficient	1,43
Minimum	-78,95
Maximum	104,73
Standard Error Average	0,03

Percentile:	Prevision Values
0%	-78,95
10%	-11,07
20%	-2,71
30%	3,29
40%	8,40
50%	13,19
60%	18,01
70%	23,14
80%	29,09
90%	37,48
100%	104,73

Assumption: Cork Stoppers

Normal distribution with parameters:

Mean	2,00%
Standard Deviation	0,20%

Assumption: Cost of Sales / Sales

Normal distribution with parameters:

Mean	-49,47%
Standard Deviation	4,95%

Assumption: Rf

Normal distribution with parameters:

Mean	0,68%
Standard Deviation	0,07%

Appendix 13: BoD Remuneration

Director	Age	Position	Held Since	Term	Fixed	Variable	Total Remuneration
António Rios de Amorim	51	Chairman of the BoD and CEO	2001	2019	239 274,90 €	120 400,00 €	359 674,90 €
Nuno Barroca de Oliveira	48	Vice-Chairman	2003	2019	169 274,95 €	60 400,00 €	229 674,95 €
Fernando Santos Almeida	57	Executive Board Member	2009	2019	144 184,95 €	66 850,00 €	211 034,95 €
Cristina Amorim Baptista	50	Non-Executive Board Member	2012	2019	- €	- €	- €
Luísa Ramos Amorim	45	Non-Executive Board Member and CFO	2003	2019	- €	- €	- €
Juan Viñas	78	Non-Executive Board Member	2012	2019	- €	- €	- €
Total					552 734,80 €	247 650,00 €	800 384,80 €

Source: CA, 2020

It is mentioned in CA, 2020 that BoD members will remain in their positions until a new BoD is elected.

Appendix 14: Abbreviations

Billion (B)

Board of Directors (BoD)

Business Unit(s) (BU(s))

Capital Asset Pricing Model (CAPM)

Capital Expenditures (CAPEX)

Chief Executive Officer (CEO)

Chief Financial Officer (CFO)

Comissão do Mercado e Valores Mobiliários (CMVM)

Corticeira Amorim S.G.P.S., S.A. (CA)

Depreciation and Amortization (D&A)

Discounted Cash Flow (DCF)

Dividend Discount Model (DDM)

Dividends per Share (DPS)

Earnings Before Interest, Taxes, Depreciations and Amortizations (EBITDA)

Enterprise Value (EV)

Forecasted (F)

Free Cash Flow to Equity (FCFE)

Free Cash Flow to the Firm (FCFF)

Gross Domestic Product (GDP)

International Monetary Fund (IMF)

Market Risk Premium (MRP)

Millions (M)

Return on Equity (ROE)

Risk-Free Rate (RFR)

Share (Sh)

Weighted Average Cost of Capital (WACC)

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